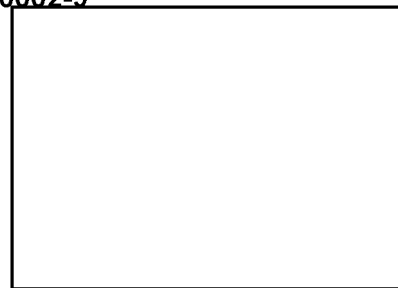




Director of
Central
Intelligence

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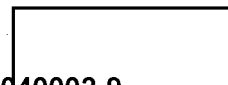


National Intelligence Daily

Monday
5 March 1979

State Dept. review completed

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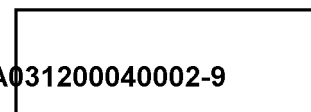
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The Overnight Reports, printed on yellow paper as the final section of the *Daily*, will often contain materials that update the Situation Reports and Briefs and Comments.

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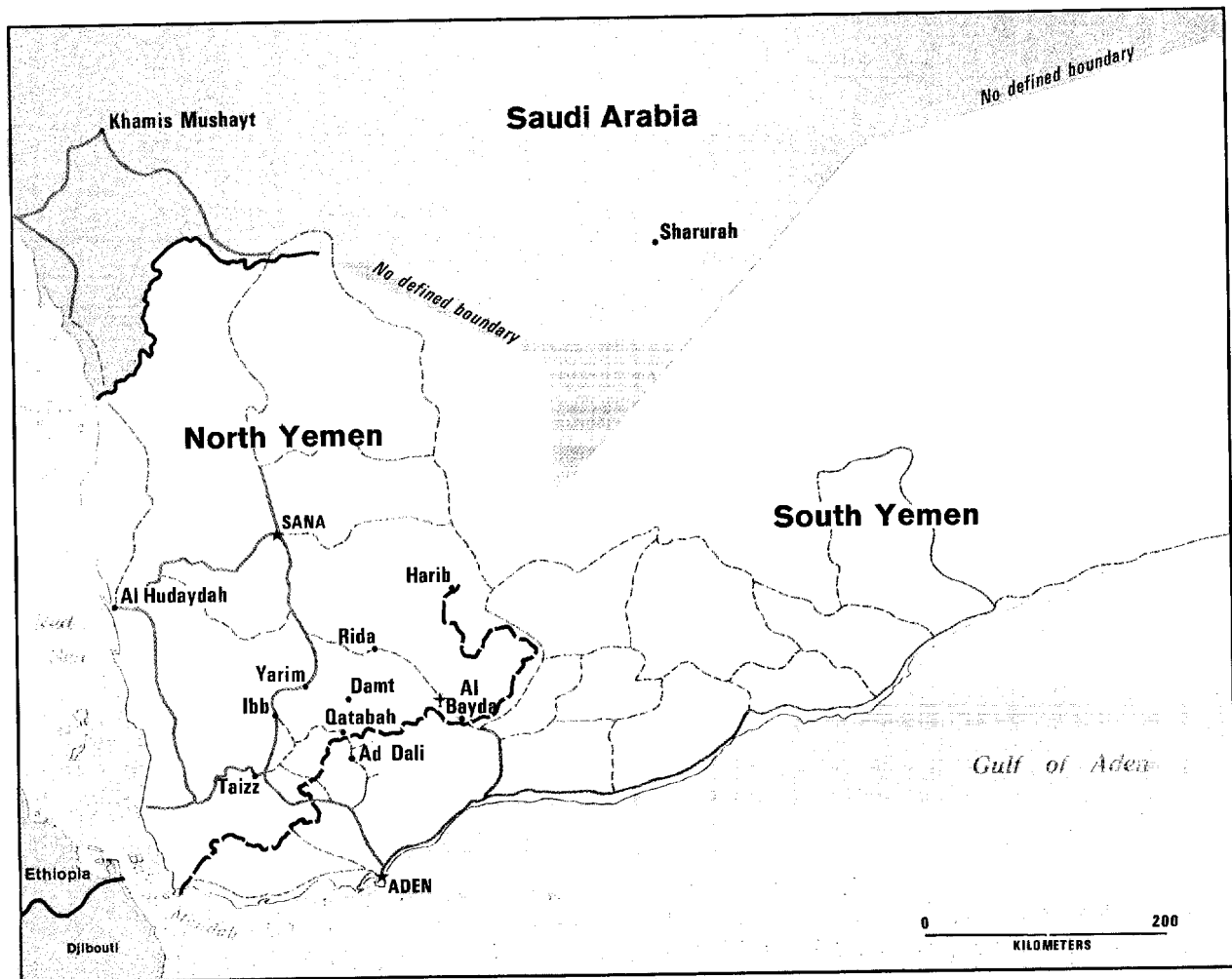
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NORTH YEMEN - SOUTH YEMEN

North Yemen President Salih told US Ambassador Lane yesterday that South Yemeni-supported forces were ignoring the cease-fire and had occupied Damt on Saturday. Salih repeated earlier North Yemeni claims that Cuban and Ethiopian troops were directly involved in the fighting but offered no proof. Official US personnel are being withdrawn from Taizz and Ibb to Sana as a precautionary measure. [REDACTED]

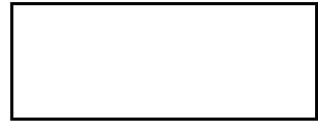
[REDACTED] the North Yemenis lost several tanks and other equipment in the fighting Saturday. The North Yemeni commander reportedly fled to a location about 20 kilometers southeast of Yarim. [REDACTED]

The South Yemeni artillery and multiple rocket launchers cannot fire on the Sana-Taizz road from Damt. If the South Yemeni forces advance within range of the road, however, access to the southern half of the country will be limited to the difficult route via Al Hudaydah.

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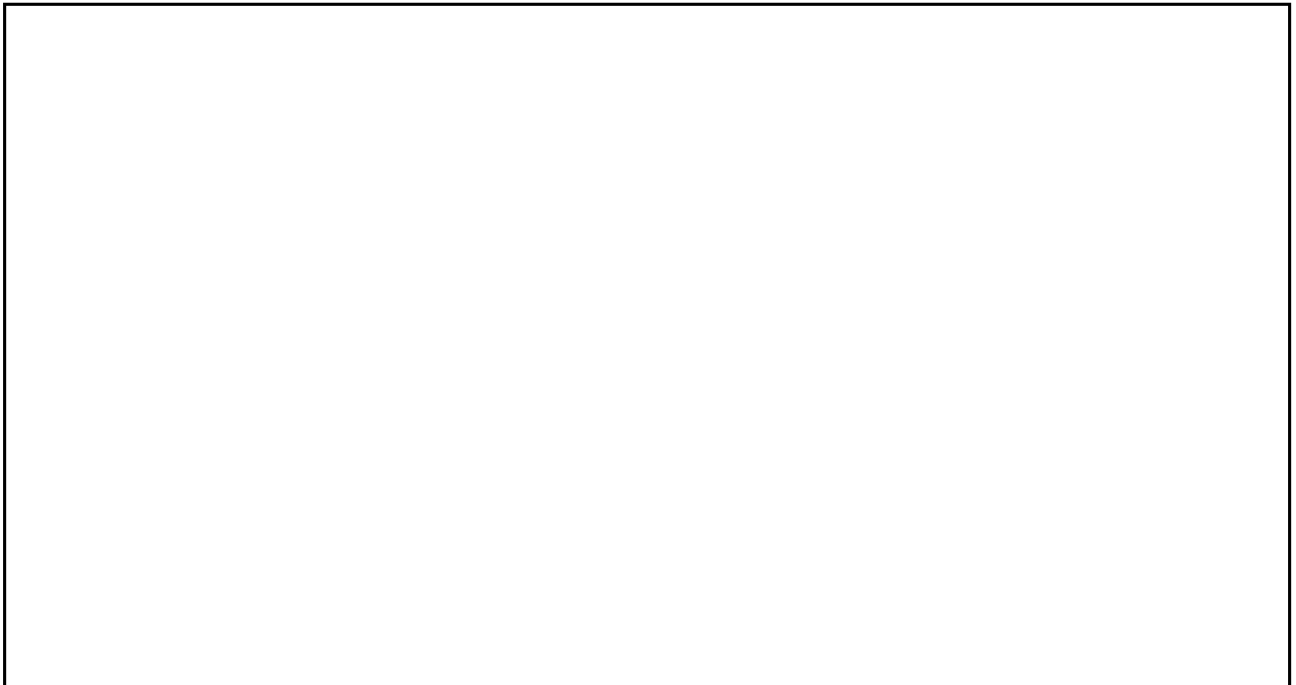
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Arab League delegates in Kuwait will resume discussions today on the Yemeni situation. According to an Arab news agency, the delegates will consider proposals for a cease-fire, withdrawal of forces, and the dispatch of observers to the border area.

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South Yemeni Intentions

Whatever the outcome of the Kuwait meeting, we believe that Aden remains intent on overthrowing the Sana government and eventually uniting the two Yemens under a Marxist regime.

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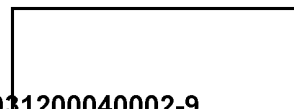


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South Yemen President Abd al Fattah Ismail, who like a number of other Adeni leaders was born in the North, is probably the foremost advocate of a takeover, but his views are shared by almost all South Yemeni leaders.



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[REDACTED]

We cannot be certain that the recent fighting was intended as the definitive move against the Sana government.

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[REDACTED]

Aden may be planning to seize a substantial piece of southern North Yemen and set up a "liberated zone" before an effective cease-fire can be arranged. [REDACTED]

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[REDACTED] the National Democratic Front has already begun appointing "people's committees" to administer territory held by their forces around Qatabah, Harib, and Al Bayda. [REDACTED]

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Consequences For Salih

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Such a move would almost certainly worsen President Salih's already precarious hold on power. [REDACTED]

[REDACTED] Salih's position is eroding badly and there are rumors in Sana that the Saudis are about to withdraw their support for him.

[REDACTED]

Salih is not a popular president and there are many North Yemenis--not just the exiles--who dispute his claim to the Presidency. He is particularly unpopular in the area near the fighting, which is populated by Shafi Muslims; the Shafis traditionally resent Zayyidi Muslims like Salih who control the government in Sana. Further military setbacks could encourage Salih's rivals in the Army or the traditionally unruly northern tribes to move against him. [REDACTED]

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ALERT MEMORANDUM

LEBANON

Christian militias and Syrian forces in Beirut seem to be headed for a new outbreak of heavy fighting within the next two months. This could lead to an Israeli-Syrian confrontation or a rekindling of the Lebanese civil war if the Palestinians and Muslim leftists are drawn into the fighting.

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The mandate of the Syrian-dominated Arab Deterrent Force expires on 26 April. The last renewal six months ago triggered heavy fighting, and Christian militias are almost certain to increase attacks on the Syrians as the April deadline approaches. Saudi Arabia's decision to withdraw its contingent from the ADF will increase the likelihood of renewed clashes; the Saudis had acted as a buffer between the Syrians and Christians at key flashpoints. The United Arab Emirates' contingent in East Lebanon--the only other non-Syrian unit in the ADF--is likely to leave soon after the Saudis. The Sudanese contingent departed in early February. Once the ADF becomes a totally Syrian force, the Christians will be even more determined to end the Syrian presence.

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the Christians are better armed and probably better trained than they were last October. Bashir Jumayyil and other extremist Christian leaders are emboldened by their conviction that Israel will come to their aid if the militias suffer serious reverses. Warmer weather, too, will weaken one source of restraint--the reluctance of Christian leaders to risk major fighting while Christian refugees would be exposed to rigors of winter. The Syrians, as in the past, are likely to respond with heavy artillery, rocket, and mortar fire against the Christian-held areas of East Beirut and nearby villages in the traditional Christian heartland.

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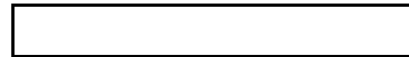
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Once fighting begins in Beirut, there are a number of possible complications:

-- The Israelis would probably feel compelled to intervene in at least limited form on behalf of the Christians, if the Christians' military position or morale seemed seriously threatened.



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-- Syrian President Assad could come under increased pressure from the Syrian military to cease temporizing and either go all out to defeat the Christians or pull Syrian forces out of Lebanon.



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-- If West Beirut comes under fire, Palestinians and leftist Muslim militias there may decide to enter the fighting.



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-- Militias in the Christian-dominated enclaves along the Israeli border, already resentful of UN-backed efforts to increase governmental authority in southern Lebanon, could increase military harassment of Palestinian and leftist villages.



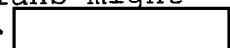
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-- The fighting could spread to other areas of Lebanon, possibly leading to resumption of the Lebanese civil war or to an Israeli-Syrian confrontation.



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There is a slim possibility that the Lebanese Government might make a renewed effort to grapple with the political and military problems confronting the country, and that this might lead the various factions to defer a resumption of fighting. In particular, a defense bill before the Lebanese Parliament would reduce the power of the Christian Army commander and increase the number of Muslims in military command positions. Were Parliament to pass a credible version of such a bill and the government move to implement it, the Syrians might be willing to agree to President Sarkis' proposal that Lebanese units replace Syrian forces in some areas of East Beirut. With such a reduction of the Syrian role, the Christians might be willing to accept renewal of the ADF mandate.



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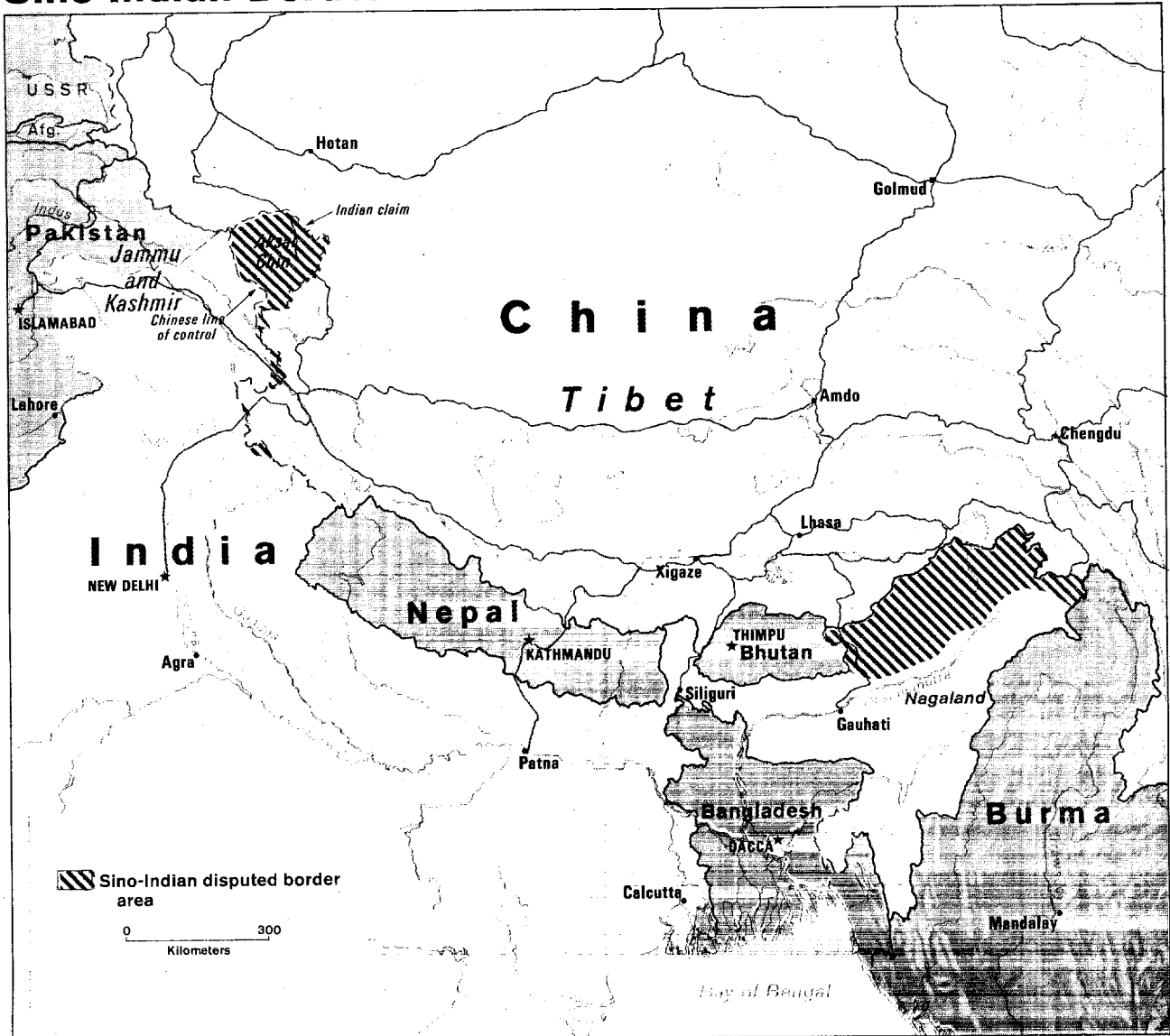
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Sino-Indian Border



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SPECIAL ANALYSIS

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INDIA: Impact of China's Attack on Vietnam

The foreign policy strategy of the two-year-old government of Prime Minister Desai has entailed improving relations with the US and China and de-emphasizing the "special relationship" that linked India and the USSR. The effort has been to have India appear more genuinely nonaligned than it had under the preceding government of Indira Gandhi. China's invasion of Vietnam has rekindled longstanding suspicions of the Chinese and probably will cause India to slow movement toward rapprochement with China. The Soviets want to remain India's closest ally, and will undoubtedly exploit Indian concerns about China during Premier Kosygin's trip to India later this month. India's recent disagreements with the US on nuclear issues probably will encourage pro-Soviet groups in India to press the government to strengthen India's ties with Moscow.

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The widespread negative Indian reaction to the Chinese move into Vietnam reflects chronic Indian concern about China's intentions toward its neighbors. The timing of the invasion was particularly inopportune from New Delhi's standpoint because it began near the end of Foreign Minister Vajpayee's mid-February trip to China to explore the prospects for expanded bilateral relations. This was the highest level of direct consultations between the two countries since the early 1960s.

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Vajpayee's visit was opposed by pro-Soviet Indians as well as by nationalists who feared Janata Party leaders might give up India's claim to some of the territory involved in the 20-year-old border dispute. That dispute, which led to a brief border war in 1962 in which India was defeated, is the key obstacle to a rapprochement.

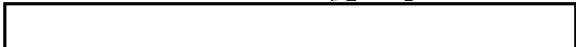
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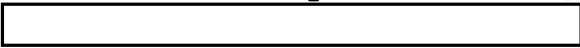
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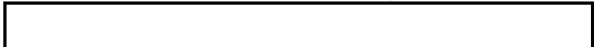
Vajpayee's exploratory talks with senior Chinese leaders in Beijing last month were mutually satisfactory, according to preliminary reports. The Chinese had been reluctant to reopen high-level negotiations but indicated to Vajpayee that they would discuss the border issue through normal diplomatic channels. The two sides also agreed to develop additional contacts in trade, shipping, culture, science and technology, public health, and student exchanges. 

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Any significant further progress toward closer relations has almost certainly been precluded for now by the Chinese move into Vietnam. India has consistently supported Vietnam during the past decade. Vajpayee, immediately sensitive to the domestic implications of the Chinese action, returned home a day early and issued an unequivocal condemnation of the Chinese attack. India, however, is unlikely to give up its long-term goal of improving relations with China. The Indians perceive their country as a world power and see friendship with China as a means of bolstering India's international status and reducing a potential security threat along the northern frontier. 

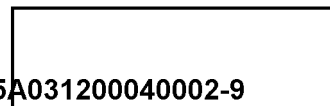
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Relations with the Soviets

Moscow presumably relished the parliamentary criticism leveled at Vajpayee when he returned from Beijing. Over the past year, the USSR has repeatedly warned Indian leaders against rapprochement with China and vigorously opposed Vajpayee's trip to Beijing. Unable to dissuade the Indians, Moscow decided to offset it by accepting New Delhi's standing invitation for a high-level Soviet leader to visit India; on the eve of Vajpayee's departure for China, Moscow and New Delhi announced that Premier Kosygin and Foreign Minister Gromyko would visit India from 9 to 15 March. The Soviets presumably are now less worried about any rapid improvement in Sino-Indian relations and may be less accommodating to Indian demands for more advantageous terms in aid and trade matters. 

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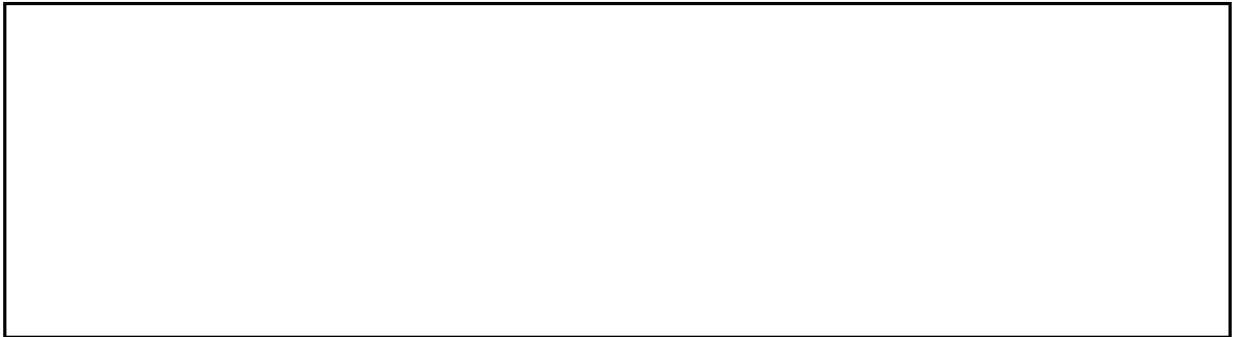


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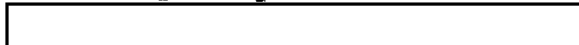


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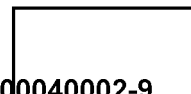
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Pro-Soviet Indians suspicious of China's new ties with the US--which they see as part of a move by China to create an alliance with the US, Japan, and Western Europe--will be quick to give credence to current Soviet charges of US collusion in the Chinese attack on Vietnam. These Soviet allegations may also find sympathy among Indian critics of US nuclear policy. The Indians, who remain unwilling to agree to full-scale safeguards in return for continued US supply of nuclear fuel to India, see US policy as discriminating unfairly against them.



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OVERNIGHT REPORTS

(The items in the Overnight Reports section have not been coordinated within the intelligence community. They are prepared overnight by the Office of Current Operations with analyst comment where possible from the production offices of NFAC.)

Portugal

According to a Western wire service report, the Socialist Party congress in Lisbon last night reelected party leader Soares, accepted the possibility of governing in alliance with other parties after the next national election, and reiterated its opposition to the present non-party government of Prime Minister Mota Pinto. [REDACTED]

COMMENT: *The Socialists have been moving for over a year toward supporting a formal coalition with other parties should the opportunity to govern again present itself. By advocating accepting such an alliance only after the election, however, the Socialists have minimized the chance for a return to party rule before the election-- which must be held by April 1980.* [REDACTED]

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France-Iran

The US Embassy in Paris reports that great concern exists within the French Government, banking circles, and the business community regarding the possibility of serious losses to French economic interests from actions of the new Iranian Government. [REDACTED]

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[REDACTED] the government's export guarantee and insurance agency could lose some \$1.4 billion on just the nuclear energy plant contracts a French firm has had with Iran. The Embassy notes that French officials nonetheless do see France as being in a somewhat better position than "the Anglo-Saxon countries" to avoid expropriations and contract cancellations and cling to the notion that France will be able to play a "great" role in Iran in the future. [REDACTED]

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UK-China

Press reports indicate that British Secretary of State for Industry Varley, who ends his official visit to China today, has signed a "framework" agreement for bilateral economic cooperation that could lead to trade exchanges totaling perhaps \$14 billion by 1985. The UK has extended a \$5-billion credit line--\$1.2 billion of which had already been offered

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According to the press reports, China's purchase of Harrier jet fighters from the UK remains a distinct possibility despite Soviet objections.

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Libya

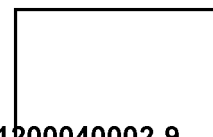
According to press reports, Petroleum Minister Mabruk, currently in Abu Dhabi for the Arab energy conference, yesterday announced that Libya is raising the price of its crude oil by \$1.20 a barrel retroactive to 20 February. The lightest type of Libyan crude oil reportedly now will sell for \$15.94 a barrel.

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Southern Africa

The communique issued after the five frontline states' summit meeting in Luanda over the weekend denounced the elections next month in Rhodesia and condemned Ugandan "aggression" against Tanzania. On Namibia, the participants demanded that UN peacekeeping forces sent there not include contingents from any member of a military alliance, and rejected the South African demand that forces of the South-West African People's Organization outside Namibia be monitored by UN elements. Tanzanian President Nyerere did not go to Luanda, allegedly preferring instead to monitor the military situation in Uganda.

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